

Subject: New Construction Tops \$3 Billion for Third Year

From: "Bud Ovrom" <LADBS.Newsletter@lacity.org>

Date: 07/13/2012 02:42 PM

To: "duckworth.donald@gmail.com" <duckworth.donald@gmail.com>



**Volume III,
Issue 1,
July 2012**

Also available on
the Web at
www.ladbs.org

**Special Points
of Interest**

*For general
information and
inspection
requests, please
call 3-1-1.*

*Click here for a
copy of our [2011
Performance
Enhancement
Program](#)*

**Inside This
Issue**

[Total New
Construction](#)

[Housing Starts](#)

[Budget](#)

**LADBS
Construction
Service
Centers**

Message from the General Manager

Monthly Statistics

The front door of LADBS was again very busy in June. Plan Check revenue, our best indicator of future construction, was up by 81% over last June, from \$2.71 million to \$4.90 million (see table below). That brought our FY11-12 year-to-date total to \$39.5 million, up 20% over FY10-11.

As was mentioned in last month's newsletter and will be explained in more detail below, the challenge for LADBS right now is getting the plans checked and back to the property owners to be able to pull building permits. Building Permit Valuation for June was down 17% from last June (from \$384 million to \$318 million). Our year-to-date total for FY11-12 came in at \$3.4 billion, up only 3% over last fiscal year.

So, if Plan Check revenue is up by 20% and Building Permit Valuation is up by only 3%, it means we are facing a bottleneck in LADBS for getting the work done.

As a result of the Great Recession, we reduced our authorized Enterprise Fund workforce from 899 employees in FY08-09 to 665 in FY11-12, down 26%. Now, new construction is going back up - - from a low of \$2.5 billion in FY08-09 to \$3.4 billion in FY11-12, up 36%. But, we still have the same staffing levels that we had at the bottom of the recession, so we are not able to process all the projects in the pipeline. It now takes 25 to 30 working days before a Plan Check Engineer can start work on a new project. As of the end of June, this backlog contained 469 projects with a construction valuation of \$251 million.

Fortunately, there is a light at the end of the tunnel! The City Council approved the

Downtown

201 N.
Figueroa
Street
Los Angeles,
CA 90012
(Figueroa
Plaza)

Mayor's FY12-13 budget, which provides the Department with an additional 44 positions. We also still have to fill 29 vacant positions from the FY11-12 budget. With the start of the new fiscal year, we now have a request pending before the City's Managed Hiring Committee which seeks to achieve a net gain of 56 new employees. Once we clear the backlog in Engineering, the burden will shift to the Inspection Bureau. Hence, our personnel request includes 27 positions in the Inspection Bureau, 21 positions in the Engineering Bureau, and 8 support staff.

West Los Angeles

1828 Sawtelle
Blvd.
2nd Floor
Los Angeles,
CA 90025

With this new staff and other measures we are taking, which will be explained below, we expect to restore service delivery to the level we need to help keep the current economic recovery in the construction sector moving forward.



South LA

8475 S.
Vermont Ave.
2nd Floor
Los Angeles,
CA 90044

Van Nuys

6262 Van
Nuys Blvd.
2nd Floor,
Room 251
Los Angeles,
CA 91401

San Pedro

638 S. Beacon
Street
Room 276
San Pedro,
CA 90731

Counter

Hours:

Monday,
Tuesday,
Thursday,
Friday: 7:30
am - 4:30 pm
Wednesday:
9:00 am - 4:30
pm
* San Pedro &
South LA
offices are
closed
between noon
- 1:00 pm daily

For
Information
you call:
3-1-1 (Inside
LA City) or

Year End Statistics

We closely monitor our revenue and workload on a daily basis, and we report the results publicly each month. That process can quickly lead to frayed nerves and ulcers!

It is only when we finally reach the end of June that we can step back, take a deep breath and look at the Big Picture. The following sections of this newsletter will provide year-end totals and how they compare to prior years.

I think you'll get some degree of comfort from what we have to report. The bottom line is that total new construction came in at \$3.4 billion - - our third consecutive year over \$3 billion and up 36% from the bottom of the recession just 3 years ago.

I want to thank all the men and women of the Building and Safety Department for the incredible work they were still able to accomplish this last Fiscal Year under very adverse conditions. For both our customers and our employees, next year promises to be better.

Happy New Fiscal Year!

(213)
473-3231
(Outside LA
City)

Total New Construction



The graph above is a good representation of what we have been going through!

Mayor Villaraigosa's first term was the highest four years in the history of the City for new construction - - totaling \$17.2 billion in building permit valuation and peaking in FY06-07 at \$5.3 billion. With the collapse of the financial markets in 2008, new construction tumbled and we hit bottom in FY08-09 at \$2.5 billion - - down 53% in just two years.

By FY09-10 we turned the corner and got back up to \$3.0 billion - - up 20%! In FY10-11 we solidified that gain and grew an additional 10% to \$3.3 billion.

We have now ended FY11-12 at \$3.4 billion. The good news is that the upward trend continues and it is our third consecutive year above \$3 billion.

Unfortunately, as noted earlier, the bad news is that the lack of staffing kept us from achieving the full potential the year had to offer. As of the end of June, we had a backlog of 469 projects, with a valuation of \$251 million, for which no Plan Check Engineer was available to even start the work. Had we had the staff, FY11-12 would have ended closer to \$3.5 – 3.6 billion.

At a time when unemployment in the construction trades is still over 40% and the City faces a severe General Fund budget shortfall, it is unconscionable to delay projects which generate both jobs and tax revenues. Later in this report we will describe some of the steps we are taking to eliminate the backlog.

It is noteworthy that for the last two years the real driving force behind recovery in construction has been residential rental apartments. More will be said about that in the next section, but in terms of building permit valuations, approximately 60% of the \$3.4 billion total was due to residential development.



As we ended last Fiscal Year we were starting to see an uptick in non-residential/commercial projects. Many of those developments will be featured in future newsletters.

Some examples of projects that **started** construction this year included: Eli Broad's architectural landmark museum, the Broad (CD9); Emerson College's ten-story mixed-use and school project (CD13); Caruso Affiliated's futuristically designed, mixed-use project, the 8500 (CD5); Geoff Palmer's 915-unit, mixed-use project, the Lorenzo (CD9); and, Forever 21's new two-million square foot Headquarters and Regional Distribution Center (CD1).

Noteworthy projects which **completed** construction and received Certificates of Occupancy included: CIM's Lowe's at the Mid-Town Crossing (CD10); Sonic Automotive's Beverly Hills BMW Dealership (CD4); Grifoils IVIG Production Facility (CD14); Cirque du Soleil at the Dolby (formerly Kodak) Theater (CD13); and the new Gensler Headquarters (CD9).

Housing Starts

When the economy collapsed in 2008, it was housing which led to the decline. Now, as the new construction sector tries to recover, it is housing which is leading the growth.

Mayor Villaraigosa's first term was also the highest four years in recent history of the City for new housing starts, with a total of 43,541 units. Indeed, the first 3 years of the Villaraigosa's Administration had more housing starts (39,245 units) than all eight years of the Riordan Administration (32,533 units)!

When the housing market collapsed, it fell fast - - from a high of 15,174 units in FY05-06 to a low of 3,573 units in FY09-10, a drop of a whopping 76%.



We turned the corner in FY10-11 with 5,553 units, up 55% from the prior year. **FY11-12 ended with 7,940 units, up another 43%.** Again, had it not been for staffing shortages in LADBS to process the projects, FY11-12 would have easily ended well in excess of 8,500 units.

Many of the projects now being constructed were originally entitled as condominiums. However, because financing for condominiums is difficult in today's market, they are now being built for rentals. They typically retain their subdivision maps and can still be converted to ownership units when financing and market conditions warrant. Based on what we see coming into Plan Check and overall economic conditions, we expect this trend with multi-family construction to continue.

We are still a long way from the high (some would say "bubble") of 15,174 units in FY05-06. Some experts estimate that Los Angeles needs to build 10-12,000 units per year to keep up with normal population growth. If this slow but steady economic recovery continues, that number could be achievable in the next couple of years.

Budget

The construction sector is inherently cyclical and the economic downturn has made projecting our revenues even more difficult. Since 2005, the building and safety functions of plan check and inspection services have been 100% contained within the Department's Enterprise Fund and paid for by development fees - - we get no City General Fund money for those functions. LA is one of the few cities where development truly "pays its own way".



Revenue peaked in FY06-07 at \$124.7 million and then bottomed-out at \$75.4 million in FY08-09, a drop of 40% in just 2 years.

With a slow but steady improving economy, and a dramatic reduction of our workforce, we stabilized the Department in FY10-11 and had revenues equal to our expenditures at \$96.9 Million.

Although we won't have a final reconciliation of "closing the books" for FY11-12 until the middle of August, we already know that we will very comfortably end the year "in the black". Our revenues were budgeted for FY11-12 at \$100.5 million and we expect to end the year at \$107.3 million.

Indeed, our "actual" FY11-12 revenues have already come in higher than what we budgeted for FY12-13 (\$106 million)! It is for this reason that we are very comfortable requesting 44 new positions.

The City's very legitimate concern about letting LADBS, or any other departments, hire new employees is that the economy is still fragile and we might dip into another downturn. Of course, that is what happened in FY09-10 when we had to eliminate 213 positions in a single year. No one wants to go through that again!

What frustrates developers is that they are paying for 100% of the cost of these services, so they expect/demand to get what they paid for in a timely fashion!

As the chart below shows, even with 44 new positions, the Department will still only have 709 authorized positions in the Enterprise Fund - - well below every year in the last decade, except one.



In addition to getting the baseline workforce up to a level that can cope with the recurring workload, the Department is also taking other measures to help improve our efficiency and even out the “peaks and valleys” of the workload.

We will use overtime and bring back retired employees on 120 day contracts to help blitz the backlog. If the additional employees, overtime and temporary contracts with former employees still do not enable us to keep up with the growing economy, we are also working with the Chief Administrative Officer (CAO) to determine the feasibility of contracting with private sector firms to supplement our workforce.

Additional staffing and more revenue are never the only answers to improving customer service! All Bureaus are constantly looking for ways to improve operational efficiency. For example, the Engineering Bureau has expanded “Over-the-Counter Plan Check” services to shorten plan check turnaround time for simple change-of-use projects, restaurants, tenant improvements, small 2nd story additions, and small electrical and mechanical jobs.

During the last two years the Department has implemented several innovative programs for enhancing customer service, which are described in our [PEP@ 2 Years Progress Report](#). Among the most well received have been [Development Services Case Management](#), [Parallel Design Permitting Process](#), [Construction Inspection Partnership Program](#) and the [Restaurant and Hospitality Express Program](#).

The next frontier for us is even greater use of enhanced technology. We currently have a pilot project underway for Electronic Plan Checking. [Baxter Bio Science](#) (CD4) is now under construction of a 5 story, 80,000 s.f. office building, which had all of their plans reviewed and approved electronically. We expect the rollout of a permanent system next year. The Inspection Bureau is also working on an

improved use of new laptops to improve their efficiency in the field.

Taken together, all of these measures will enhance our ability to provide our customers with the timely and high quality service they deserve.

Our Mission Statement

The mission of the Department of Building and Safety is to protect the lives and safety of the residents and visitors of the City of Los Angeles and enhance the quality of life, housing, economic prosperity, and job creation. This is accomplished through advising, guiding, and assisting customers to achieve compliance with the Building, Zoning, Plumbing, Mechanical, Electrical, Disabled Access, Energy, and Green Codes; and local and State laws, through a timely, ethical, cooperative, and transparent process for the facilitation of construction and maintenance of commercial, industrial, and residential buildings throughout the City.

To add your e-mail to our distribution list, please [click here](#).

To remove your e-mail from our distribution list, please see below.

Past editions of our newsletter are available on our [website](#).

We want your feedback! Please [click here](#) to submit your comments and/or suggestions.

If you want to comment on the service(s) you received or file a complaint, please call our **Customer Hotline at (213) 482-0056**.

LADBS Newsletter Editors: David Lara & Manuel Garcia

This message was sent to duckworth.donald@gmail.com by:

City of Los Angeles
Department of Building & Safety
201 N. Figueroa Street, Suite 1000
Los Angeles, CA 90012
(213) 482-6800

